

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3088
ANSWERED ON:22.03.2002
SHAREHOLDING BY FOREIGN COMPANIES
NITISH SENGUPTA

Will the Minister of FINANCE be pleased to state:

- (a) whether there is a distinct trend in foreign companies operating in India to raise their shareholding to hundred percent level;
- (b) if so, whether this is not contrary to the earlier announced policy of associating foreign companies, existing ones or new ones coming in, with Indian shareholders on a minority basis;
- (c) if so, whether the Government are aware of the fact that this will lead to dilution of Indian shareholding, in many of these profitable companies and will have an adverse impact on the stock market; and;
- (d) if so, the remedial steps taken in this regard?

Answer

Minister of State in the Ministry of Finance (Gingee N. Ramachandran)

- (a): Yes, Sir. There is a trend to obtain approvals to raise foreign share holding to hundred percent level by companies operating in India.
- (b): The FDI policy is undergoing progressive liberalisation and at present FDI up to 100% is permitted in most activities except for a small list of activities that attract ceiling on the extent of foreign ownership based on strategic and sectoral considerations.
- (c)&(d): Transfer of shares by a person resident in India to a person resident outside India requires prior Government approval followed by RBI permission. Application to FIPB for permission to acquire resident shares has to be necessarily supported by a Board Resolution to that effect. Government approval for acquisition of shares by way of acquisition is subject to SEBI/RBI pricing norms and necessary RBI permission. In case of acquisition of resident shares in a listed company, the acquirer in addition to obtaining Government approval, has also to comply with SEBI (Substantial Acquisition of Shares and Take Over) Regulations, 1997. During 2001, 15.37% of the total FDI inflows was accounted for by acquisition of existing shares.